

TITLE:	Pension Guarantee North East Assembly/Association of North East Councils
TO/ON:	Executive – 13th November 2006
BY:	Director of Finance
STATUS:	Report
PORTFOLIO:	Learning

1 SUBJECT MATTER AND PURPOSE

- 1.1 This report asks members to consider agreeing to act as guarantor for the pension liabilities of the North East Assembly and the Association of North East Councils.
- 1.2 This request has been made to all 25 local authorities in the region and forms part of the process of both organisations moving towards becoming incorporated bodies.

2 BACKGROUND

- 2.1 The North East Assembly and the Association of North East Councils agreed in January 2005 to become separate organisations, with the full support of all 25 local authorities in the region.
- 2.2 Both organisations have been working towards becoming incorporated as companies limited by guarantee. One of the key issues being the need to determine the position relating to staff pensions.
- 2.3 Staff have been members of the Tyne and Wear Pension Fund, with the Association being the employing body. The two separate bodies have been looking to seek admission to the same Fund as part of their move towards incorporation.
- 2.4 To achieve this fund administrators require a guarantor. This role has previously been carried out by South Tyneside Council and whilst they are happy to continue they have requested that this role should be shared by all member authorities.

3 **MATERIAL CONSIDERATIONS/AVAILABLE OPTIONS**

- 3.1 The issue has been considered by the Regional Chief Executives Group who agreed to recommend to all Councils within the region to act as guarantor.
- 3.2 The County Durham Chief Finance Officer Group has also considered the application to take account of the financial considerations and risks with the conclusion that these were not significant to prevent authorities from agreeing to the request.
- 3.3 There are no immediate financial implications for the authority. The guarantee would work along similar lines to the one operating currently with regard to Derwentside Leisure Limited, with the requirement only being necessary if one or both organisations being wound up and unable to met their liabilities.
- 3.4 Any deficits would be shared proportionately amongst the member authorities based on population. Therefore, the authority's exposure based on a current deficit of £1.58m is £26,691.28. However, it must be noted that this picture will fluctuate in line with the performance of the fund and the changing profile of the staff employed by both organisations.
- 3.5 The Council's Monitoring Officer has considered the authority's legal position and, after detailed discussions with officers at the Assembly, has concluded that there are no legal reasons why the authority could not take up the role of part guarantor.
- 3.6 The authority has the option of declining to be a guarantor. We are advised that other authorities have agreed to the request and, as a member body of both organisations, it would seem fair that we should share, what is a fairly minor financial risk, in allowing the two bodies to move forward in achieving incorporation.
- 3.7 There are a number of statutory functions the Assembly carries out that benefit the entire region. These include
 - The production of a Regional Spatial Strategy as the designated planning body under the Planning and Compulsory Purchase Act 2004.
 - Scrutinising the work of the Regional Development Agency, under the provisions of the Regional Development Agencies Act 2004.
 - Responsibility for the Regional Housing Board which advises on the distribution of the Single Housing Investment Programme fund throughout the region.

3.8 The Council's annual contribution to support the costs of these organisations is an aggregate £17,507.29.

4 **Recommendations and Reasons**

4.1 Members agree to act as part guarantor for the pension liabilities of the North East Assembly and the Association of North East Councils.

4.2 The financial risk associated with such an agreement is minor based on the current calculation of the fund balance and, as a member authority Derwentside District Council potentially benefits from the work carried out on behalf of the region.

5 **BACKGROUND PAPERS**

5.1 Correspondence with North East Assembly/Association of North East Councils.

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